

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2022/2023

BBF2064 – ISLAMIC BANKING AND FINANCE

(All sections / Groups)

14 JULY 2023
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 2 pages with 4 Questions.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Students are allowed to use non-programmable scientific and financial calculators.
4. Please write all your answers in the Answer Booklet provided.

QUESTION 1

a. Conventional financial system is built on a doctrine of self-interest, not concerned about moral values, a value-neutral system and relies heavily on the assumption that human beings are rational in decision-making. The value proposition of the Islamic finance system, based on the principles of Shari'ah however have different value proposition. Discuss how adhering to Islamic principles and law i.e. Shari'ah, promotes ethical and moral values, social justice, risk sharing and sustainable economic development.

(16 marks)

b. An Islamic bank may offer Islamic Letters of Credit (ILC) facility under three (3) different Shari'ah contracts, namely, wakālah (agency), murābaḥah (costplus profit) and mushārakah (partnership). Discuss and illustrate the structure for the Islamic Letters of Credit (ILC) facility under Wakalah (Agency) principle.

(9 marks)

(Total: 25 marks)

QUESTION 2

a. Government Investment Issue (GII) is one of the alternative money market instruments used by Islamic financial institutions to invest their surplus cash position. Briefly describe **FIVE (5)** characteristics of GII.

(10 marks)

b. As the group Treasury of Bank Islam Malaysia Berhad, you decided to invest the bank excess cash in GII. Based on the following facts of the GII, what should be the fair price?

Issuance date : 7 April 2022

Maturity date : 7 April 2025

Transaction date: 15 October 2023

Coupon : 6% per annum, paid semi-annually

Maturity value : MYR100,000

Yield : 7% per annum

(15 marks)

(Total: 25 marks)

QUESTION 3

Consider the following statement: "Pure risks are generally considered to be insurable, while speculative risks are not."

- Define pure risk and give **ONE (1)** example
- Define speculative risk and give **ONE (1)** example
- Discuss the differences between these 2 types of risk
- Do you agree with the above statement? Support your answer.
- List **FOUR (4)** options in managing risks.

(Each sub-question carries 5 marks)

(Total: 25 marks)

Continued

QUESTION 4

- a. Discuss **TWO (2)** takaful models that you know which aligns to the Shari'ah principles and provide a diagram illustrating their operational structure. (20 marks)
- b. Briefly discuss on why the hybrid takaful model is more widely accepted in practice as compared to a single takaful model. (5 marks)

(Total: 25 marks)

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